

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 SOFIA 002026

SIPDIS

E.O. 12958: N/A

TAGS: [ENRG](#) [PREL](#) [ETRD](#) [PGOV](#) [BU](#)

SUBJECT: GOVERNMENT FINALIZES DEAL WITH AES ON MARITSA
EAST ONE

11. (U) SUMMARY: Representatives of the Bulgarian government signed December 7 the underlying financial agreements with AES and four financial institutions to construct a new 670 MW coal-fired power plant. The financial agreements represent the biggest ever greenfield investment in the Bulgaria and largest greenfield investment in East Central Europe for 2005. The project, the recipient of extensive Embassy advocacy efforts, will contribute to Bulgaria's goal of being a major electricity exporter for the region. It is expected to bring 2,000 new jobs during the construction phase of the project and another 200 permanent jobs once the plant becomes operational. The signing ceremony was widely and favorably covered by the local media. END SUMMARY.

AES DEAL TOP CHARTS FOR REGIONAL GREENFIELD INVESTMENT

12. (U) Prime Minister Sergey Stanishev hosted a well-publicized signing ceremony at the Council of Ministers' building for the signing of AES financial agreements on December 7. The ceremony was attended by the CEO and President of AES Paul Hanrahan, Ambassador Beyrle and high-level government officials and parliamentarians. Press coverage of the event was extensive. In remarks following the ceremony, Economy and Energy Minister Ovcharov highlighted the government's commitment to the project. He indicated that the project is the largest green field investment in Central and Eastern Europe for 2005, which would guarantee the future development of the Bulgarian energy sector and preserve Bulgaria's position as an exporter of electricity to its neighboring countries. Additionally, he said the implementation of the project would enhance Bulgarian energy security and help the country attract more foreign investment.

PROJECT WILL BENEFIT BOTH US AND EUROPE

14. (U) The project, known as Maritsa East 1 (ME1), will also enhance Bulgaria's cooperation and ties with the EU. A consortium of European banks (CALYON, ING Bank, BNP Paribas and the European Bank for Reconstruction and Development) will provide 70 percent of the financing while a leading European developer (Alstom Power) will construct the power plant. AES will provide equity investment in the amount of 30 percent of the total cost of the project.

15. (U) AES has been developing the ME1 project since 1999 but suffered significant delays in realizing its implementation, partly due to company's own corporate financial problems. The project calls for the construction of a new 670 MW lignite fired power plant for a total project cost of 1.1 billion euro. AES intends to build two units with a total capacity of 670 MW and will use lignite from the Maritsa East Mines as fuel. The implementation of the project is expected to ensure development of the power system with minimal expenses and enhance the competitiveness of the Bulgarian power sector. The project will comply with the European environmental requirements and will keep the emissions of sulphur oxides, dust and nitrogen oxides within the European norms. Construction is expected to start in the spring of 2006 and the plant is scheduled to be operational in 2008.

16. (U) The ME1 project will bring a number of benefits in terms of trade and business, including 2,000 new jobs within the project time-span; orders to local companies amounting to 200 million Bulgaria leva; and 80 million Bulgarian leva annual revenues for the Maritsa East Mines from lignite supplies.

USG SUPPORT FOR THE PROJECT

17. (U) The US Embassy Sofia advocacy efforts helped to clear many of the political hurdles necessary for AES to make the largest foreign investment ever in Bulgaria. The Embassy was able to facilitate the approval of a political letter of support for the

project, which was needed to guarantee the 1.1 billion Euro financing package to build the plant. Specifically, the Commercial Service, Political-Economic Section and the Executive Office supported AES executives through introductions to key governmental officials, lobbying our contact in the Prime Minister's office for political support, delivering letters of support from Commerce Secretary Evans and State Department Assistant Secretary Wayne, and lobbying the Council of Ministers.

18. (U) COMMENT: The ME1 project will greatly contribute to meeting Bulgaria's electricity needs in an environmentally responsible way. More important for the GOB, it will help Bulgaria maintain its position as a regional energy hub. As the largest foreign investment program ever in Bulgaria, the ME1 deal should help the government address the severe macroeconomic external deficits and boost Bulgaria's image as a country with a favorable investment regime. AES investment undoubtedly will pave the way for additional foreign investments and provide new opportunities for local subcontractors. End Comment.
BEYRLE